

Shin-Etsu Polymer Co., Ltd.

CEO's Address at the Financial Results Briefing for Fiscal Year Ended March, 2023

My name is Yoshiaki Ono, and I am the President and Chief Executive Officer of Shin-Etsu Polymer. Thank you for attending this financial results briefing. I would like to take this opportunity to thank you for your continued support.

This fiscal year, we have been engaged in full production of wafer containers in response to strong demand in the semiconductor industry. This has greatly contributed to stronger results. Sales of office automation equipment were also strong given an increase in sales of rollers for laser printers. Sales of automotive input devices remained flat. Meanwhile, sales for conductive polymer rose steadily, reflecting the expansion of automotive electronic components, and that made a significant contribution to stronger results. Sales of wrapping films increased due to the consolidation of Kitche Nista Co., Ltd. The weak yen had positive effects on earnings.

Overall consolidated results in the first six months of the fiscal year ending March 2023 were

- Net sales 52,549 million yen (an increase of 8,830 million yen from a year ago)
- Operating profit 6,643 million yen (a rise of 2,061 million yen from a year ago)
- Ordinary profit 7,384 million yen (growth of 2,680 million yen from a year ago)
- Profit attributable to owners of parent 5,033 million yen (a climb of 1,544 million yen).

We will pay interim dividends of 18 yen per share.

We will continue to emphasize profits and aim to achieve stable growth in the medium to long term. The semiconductor industry is expected to expand in the medium to long term as data communications networks expand. We have thus determined that the semiconductor-related containers business is the largest driving force of growth. We will make utmost efforts to expand our capacity to expand and develop the business. In the automotive industry, a change to electric vehicles and the rapid development of new technologies related to automatic driving are expected. We will thus develop the existing products, including electronic devices, and will accelerate ongoing development under new themes, thereby making the business the second driving force. The office automation equipment market is said to be a mature market. However, office printers are growing, and office automation rollers are well expected to generate stable profits in the medium term. To achieve sustainable growth, it is important to find new themes. We will actively allocate management resources to research and development and raise the ratio of new products. The medical equipment market, in particular, is a promising market, where we can take advantage of our silicone processing technology. We will thus

strengthen our sales and development capabilities to achieve growth in this field. We will emphasize profit also in other businesses, regardless of their size, and strengthen our management foundation.

I have briefly described our management policy for the medium to long term. This fiscal year, we forecast that we will record on a consolidated basis

- Net sales 108.0 billion yen (rising 16.6% year on year)
- Operating profit 12.0 billion yen (growing 23.3% year on year)
- Ordinary profit 12.5 billion yen (climbing 23.4% year on year)
- Profit attributable to owners of parent 8.8 billion yen (increasing 39.5% year on year).

Based on the full-year results forecast, we will pay annual dividends of 36 yen per share.

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Summary of Q&A about Financial Results Briefing for Fiscal Year Ended March, 2023

Date and time	Tuesday, November 8, 2022 14:00 - 15:00 (JST)	
Venue	Webinar (Live Streaming)	
Attendees	<ul style="list-style-type: none"> • President, Chief Executive Officer • Director, Senior Managing Executive Officer, General Manager of Sales Unit • Director, Managing Executive Officer • Managing Executive Officer, General Manager of Office of Business Development, Sales Unit • Managing Executive Officer, General Manager of Development Unit • Executive Officer, General Manager of Accounting & Finance Department, Administrative Unit 	<p>Yoshiaki Ono</p> <p>Toshiaki Deto</p> <p>Toru Takayama</p> <p>Mikio Furukawa</p> <p>Satoru Sugano</p> <p>Osamu Kowada</p>

<Company-wide>

Q1. Did results improve in the first six months due to exchange rate changes or strong business performance? Will the contributing factors continue to help boost results?

A1. In addition to exchange rate changes, strong sales of semiconductor-related containers and office automation rollers and price revisions from the previous year led to strong results in the first six months. Demand in the automotive-related industry bottomed out in April and May, but has recovered to 90% and we expect that demand will be firm in the second half. We anticipate that demand for semiconductors will also be firm. The office automation equipment market, we think, is in an inventory adjustment phase. In the Housing & Living Materials segment, prices of materials for PVC products were disproportionate to prices of the products. Materials prices have been proportionate since October. Shipments of wrapping films are expected to remain flat from the first half. The recovery in demand from supermarkets is slow, and the food service industry has recovered to around 90% of its level before the COVID-19 pandemic. In this situation, we will sell our products at revised prices. Shipments will not fully recover, and sales are expected to remain flat from the first half.

Q2. Some manufacturers have lowered the sales prices of naphtha, which were 85,000 yen to over 90,000 yen, to the range from 70,000 yen to 8,000 yen. Do you think that lower raw materials prices will have positive effects on your results in the second half? If they have positive effects, when will the effects occur? If raw materials prices fall, how will you respond to them? Will the price of polycarbonate rise further?

- A2.** Indeed, the sales price of naphtha is falling. In addition, the international price of PVC resin has dropped to about half of its peak, but the sales price has not have fallen in Japan. Moreover, rises in electricity bills and the price of polycarbonate are an issue. Looking at the situation, we do not expect that raw materials prices will fall soon. In fact, we expect that raw materials prices may rise further.
- Q3.** I read a newspaper report saying that container freight rates have fallen to about 2,000 dollars, the level before the COVID-19. Are you benefiting from lower rates? Are there differences between long-term contracted freight rates and spot rates?
- A3.** It was difficult to book freight shipments by sea due to logistics disruption in the first half of this year. The disruption has been mitigated and cargo has started to move steadily. Meanwhile, freight rates have not fallen. We expect that freight rates will remain high in the second half. There are differences between long-term contracted freight rates and spot rates.
- Q4.** Please describe your next goals, for example, operating profit and EBITDA targets and launching new products.
- A4.** We will make sure to achieve an ordinary profit of 12.5 billion yen, a record high. We will take it as a new starting point and will emphasize profit in the medium to long term. We expect that strong demand for semiconductor-related containers will continue into the long term. With semiconductor-related containers as the pillar of our business, we will also grow products other than semiconductor-related containers. We have secured stable profits in certain businesses and think there is room for growth in those businesses. The life of processed products is short, and it is important to continually launch new products. We have a certain number of new products. New medical products will be approved in Europe and the United States soon, and we will work to achieve results from them. Of automotive-related products, products for headlights have begun to be mass produced. Demand for conductive polymers is directly connected to the rise of electric vehicles. Conductive polymers can be used for applications other than automobiles. We will expand applications of conductive polymer. We will continue to aim to achieve stable growth of a product mix consisting of those new products and our existing products. It is difficult to announce specific profit targets, but we believe that if we increase sales, while maintaining a profit margin of 10% or more, profit will naturally increase.
- Q5.** At this financial result briefing, President Ono said that the Company will emphasize profit, and I think you put more emphasis on profit. How have your approaches and strategies changed? Will you put more emphasis on profit than sales?
- A5.** In order to make a profit for a processing company like us, it is necessary to continue developing value-added attracts customers' attention original products and differentiated products that. In order to continue growing over the medium to long term, I emphasize once again that sales are the means and profit is the goal.

<Electronic Devices segment>

Q1. Automobile production recovered sharply in India and China in August. When do you expect automobile production will recover in Japan? If auto production recovers, could results in the Electronic Devices business increase? Is the strong auto production in India and China sustainable? Does it have any positive effects on your results? Do you think that demand in Europe declined because of rises in interest rates and an economic downturn instead of disruptions in supply chains?

A1. We estimate that production at Japanese auto manufacturers has recovered to 90%. We feel that demand has recovered compared to what we felt in April and May this year. We think shipments may increase. A recovery in demand in India and China has positive effects on our results. Although there is a delay in recovery in demand in Europe, overall demand is on an upward trend compared with April and May. We think that demand in Europe remains weak because of the economic downturn and rises in interest rates, among other factors.

<Precision Molding Products segment>

Q1. Major manufacturers of semiconductors and condensers, particularly manufacturers engaging in the post-process of semiconductor manufacturing and MLCC manufacturers, insist that they have entered an adjustment phase. Meanwhile, manufacturers engaging in the pre-process of semiconductor manufacturing say that there are no signs of entering an adjustment phase. Please describe concerns in different areas of the semiconductor industry, such as the memory semiconductor industry and the logic semiconductor industry, in the second half? Many different media reports say that production adjustments are occurring in the memory semiconductor industry. Please describe the effects of production adjustments on your business.

A1. In the semiconductor and electronic component area, as you have pointed out, our carrier tapes used in the back end process of semiconductor manufacturing have been significantly affected since the first half. Since carrier tapes are directly connected with the back end process, demand for smartphones and personal computers will remain weak in the second half. With regard to semiconductor-related containers, which are used in the pre-process, there will be adjustments in the production of small diameter containers for wafer manufacturers, but 300-mm wafer containers, the main products, will not be significantly affected in the second half as they were not in the first half. We do not ship products separately according to the devices they are used for. Moreover there is a time lag between production adjustments at device manufacturers and adjustments in supplies of raw materials. As such, we do not expect that we will be affected in the second half.

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